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President: Mr. Varga-Koritar (Vice-President).....(Hungary)

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The meeting was called to order at 3.15 p.m.

Annual reports of the Director General on the activities of the Organization for 2011 and 2012 (*continued*) (IDB.40/2, IDB.41/2)

Reports of the Industrial Development Board on the work of its fortieth and forty-first regular sessions (*continued*) (GC.15/2 and GC.15/3)

Forum on industrial development issues (*continued*) (GC.15/4)

Financial matters (*continued*)

(a) **Scale of assessments of Member States** (*continued*) (IDB.41/6/Rev.1; IDB.41/Dec.9)

(b) **Financial situation of UNIDO** (*continued*) (GC.15/11 and GC.15/14; GC.15/CRP.1 and CRP.2)

(c) **Working Capital Fund** (*continued*) (IDB.41/7; IDB.41/Dec.10)

(d) **Financial regulations** (*continued*) (IDB.41/14; IDB.41/Dec.11)

(e) **Appointment of an External Auditor** (*continued*) (GC.15/12; IDB.41/15)

Programme and budgets, 2014-2015 (*continued*) (IDB.41/5 and Add.1; IDB.41/Dec.12)

Medium-term programme framework (*continued*) (IDB.41/8; IDB.41/Dec.13)

Outcome document of the informal working group on the future, including programmes and resources, of UNIDO, entitled "Strategic Guidance Document" (*continued*) (IDB.41/24)

Lima Declaration and Plan of Action 2013 (*continued*) (GC.15/13)

UNIDO activities related to energy and the environment (*continued*) (GC.15/5 and GC.15/6)

UNIDO activities related to agribusiness, trade capacity-building and job creation (*continued*) (GC.15/7)

UNIDO activities related to the Vienna Ministerial Declaration and Plan of Action of the Least Developed Countries and to cooperation with middle-income countries (*continued*) (GC.15/8 and GC.15/9)

Report of the work of the Multilateral Diplomatic Committee in UNIDO (*continued*) (GC.15/CRP.4)

Personnel matters, including UNIDO Staff Pension Committee (*continued*) (GC.15/CRP.2; IDB.41/19; IDB.41/Dec.15)

Matters related to intergovernmental, non-governmental, governmental and other organizations (*continued*) (GC.15/10)

Date and place of the sixteenth session (*continued*)

1. **Mr. Aviram** (Israel) said that his country remained steadfast in its commitment to continued cooperation with UNIDO. He commended the Organization's five-pillar initiative, which led to a stronger focus on inclusive, sustainable and resilient economic and industrial growth. The 2012 annual report showed that, overall, UNIDO had achieved success, but there remained many obstacles to the eradication of worldwide poverty. Israel supported the Organization's vision of establishing a development model that placed the emphasis on greater industrialization and job creation, especially for women and young people. UNIDO should be commended on being at the forefront of implementing United Nations gender-related decisions.

2. He recalled that the Israeli Agency for International Development Cooperation (MASHAV) had been working since 1958 with developing and middle-income countries through targeted technical cooperation, capacity-building, training, technology transfer and advisory services, in such areas as agribusiness, value chain financing, drip irrigation, water management, water technology and energy efficiency. One aspect of the collaboration between MASHAV and UNIDO was a capacity-building seminar conducted in Israel on agribusiness as a tool for the empowerment of women, the aim being to help establish small and medium-sized enterprises in rural areas. The seminar had brought together professionals from Ethiopia, Kenya, South Sudan, the United Republic of Tanzania and Uganda, where participants

had networked and been made aware of the Organization's long-term strategies.

3. Israel had also cooperated with UNIDO on the implementation of General Assembly resolution 67/202, initiated by Israel and entitled "Entrepreneurship for development", and on an initiative in West Africa focusing on the critical role played by entrepreneurship in promoting employment among women and young people.

4. In view of the importance of renewable energy, MASHAV and UNIDO had held a joint training workshop in Israel on clean and efficient energy. A number of Israeli manufacturing associations had, moreover, joined the Organization's Green Energy Platform. In addition, a keynote speaker from UNIDO had addressed the Water Technology and Environment Control Exhibition and Conference (WATEC), held in Israel in October 2013.

5. Israel supported the idea of making inclusive and sustainable industrial development a universal goal. The contribution of UNIDO to that process was invaluable. Israel also welcomed the "Strategic Guidance Document" produced by the informal working group on the future, including programmes and resources, of UNIDO.

6. UNIDO and MASHAV would continue to collaborate with countries in the developing world and middle-income countries while respecting the right of each country to determine its own development strategies. Israel looked forward to widening its collaboration with UNIDO field offices and forging new partnerships to foster institutional capacity, sharing best practices and engaging in technology transfer with Governments, international organizations, financial institutions, the private sector, academia and civil society.

7. Israel welcomed the adoption of the Lima Declaration. Just as the Lima Declaration of 1975 had paved the way to broad international cooperation, the recently adopted Declaration would pave the way to a more innovative and effective UNIDO in the global fight to eradicate poverty.

8. **Ms. Dry** (South Africa) said that her country looked forward to continued close cooperation with UNIDO. It associated itself with the statements of the African Group and the Group of 77 and China.

9. The current global economic and financial situation and the global growth forecasts in key economies continued to have a negative impact on the gains made by developing countries that sought to achieve sustainable development. The international community should join hands to seek new approaches to lifting the global economy. UNIDO should be at the forefront of efforts to harness industry in the endeavour to return the global economy to a sustained growth path.

10. As a continent whose economic structure was mostly commodity-based, Africa must foster a development trajectory based on adding value to its agricultural produce and minerals. Through the Conference of African Ministers of Industry (CAMI), Africa had prioritized the production of renewable energy equipment and technologies as part of its contribution to facilitating access to clean and renewable energy for productive use. The meeting of CAMI in Kenya in June 2013 had also discussed Africa's industrial development and highlighted industrialization as a key factor in the development process. UNIDO, as the agency responsible for promoting and accelerating industrial development, should ensure that its programmes were aligned to the strategic priorities of recipient countries. It should also provide greater assistance to the continent's regional economic integration agenda.

11. As the world prepared for the launch of the intergovernmental process of the post-2015 development agenda, South Africa welcomed the Organization's efforts to ensure the integration of inclusive and sustainable industrial development into the new global development framework. Industrialization, and manufacturing in particular, was central to that. The three dimensions of sustainable development must be addressed in a balanced and integrated manner. Moreover, the Rio Principles, particularly that of common but differentiated responsibilities, should be firmly rooted in that framework, given that countries had different starting points, national priorities and regional circumstances.

12. South Africa was making every effort to foster economic growth. The Industrial Policy Action Plan 2013/2014-2015/2016 had been released with the goal of preventing industrial decline and supporting the growth and diversification of the country's manufacturing sector. Manufacturing could

undoubtedly generate significant job creation, both directly and indirectly. The country's cooperation with UNIDO had been very effective, especially with regard to capacity-building.

13. Her delegation welcomed the outcome of the work of the informal working group on the future, including programmes and resources, of UNIDO. She trusted that the current session would lead to the revitalization of UNIDO as a critical partner in the promotion of inclusive and sustainable industrial development. South Africa pledged its support for the Organization's efforts to extend South-South, North-South and triangular cooperation.

14. **Mr. Fukukawa** (Japan), after noting that 2013 marked the 140th anniversary of the establishment of diplomatic relations between Peru and Japan, and thus the longest relationship connecting Latin America and Asia, commended the proactive approach adopted by the Director General to addressing the development challenges facing Member States. It was important to define the role of UNIDO in a changing environment and identify its strengths. In that context, his delegation welcomed the Lima Declaration. It also appreciated the work of the informal working group on the future, including programmes and resources, of UNIDO and welcomed its outcome document. The concept of inclusive and sustainable industrial development would guide UNIDO in the coming years. Japan, as the Organization's largest donor, had provided active support, shouldering more than 19 per cent of assessed contributions.

15. Japan supported the efforts of UNIDO to assist developing countries in securing resource-efficient low-carbon growth for sustainable industrial development. UNIDO had provided valuable input at the Tokyo International Conference on African Development (TICAD) V, where the TICAD Strategy for Low-Carbon Growth and Climate Resilient Development had been discussed. Japan was cooperating with UNIDO to implement projects in some African countries. It was also promoting the East Asia Low-Carbon Growth Partnership, in close cooperation with UNIDO. In that connection, he drew attention to his country's recent contribution of US$ 5.6 million to the promotion and dissemination of low-carbon technologies in developing countries. The agreement signed between UNIDO and the Japanese city of Kitakyushu, promoting the transfer of environmental technology and recycling know-how to developing countries at the local government level, provided the model of a partnership that would bring long-term benefits to all those involved.

16. At a time of recurring food crises and high demand for agricultural commodities, agribusiness appeared to be a reliable engine of inclusive and sustainable growth. Adding value to primary commodities was essential to the promotion of sustainable sources of income and employment. Capacity-building and the empowerment of people, especially socially vulnerable groups such as young people and women, were vital for inclusive and sustainable industrial development. Providing both individuals and communities with opportunities to those ends was the aim of UNIDO projects funded by Japan in the area of agribusiness. Indeed, Japan had funded 16 projects worth a total of US$ 34 million through the Human Security Fund. It had also contributed over US$ 20 million since 2010 to vocational training projects, most of them focusing on Africa.

17. In view of the long-standing relationship between Japan and Peru, the two Governments had agreed and implemented a variety of cooperation projects, including the enhancement and empowerment of human resources, agro-industrial development and the construction of infrastructure such as water supply, sewerage and irrigation. Moreover, Japan had advanced a total of US$ 343 million in six large-scale projects of official development assistance loans and two grant aid projects that had financed the construction of the Peru-Japan Friendship National Institute of Rehabilitation and the New Macara International Bridge over the border between Peru and Ecuador. Four further grant aid projects would contribute to disaster prevention and environmental countermeasures. Moreover, the number of Japan Overseas Cooperation Volunteers had been doubled over the past two years.

18. Japan believed that UNIDO was well-advised to focus its efforts on illustrating the impact achieved through its technical cooperation activities, which had reached US$ 138.5 million by the third quarter of 2013. Publicizing the success of technical cooperation projects was of the utmost importance for the funding of new activities. It was important for UNIDO to expand its partnerships and to increase its coordination

with other international organizations, including financial institutions, so that activities complemented each other and duplication or fragmentation of assistance was avoided.

19. The information provided to date indicated that the Organization's Programme for Change and Organizational Renewal would bear tangible results in the form of better monitoring, transparency and efficiency. The Secretariat should keep Member States informed of the status of implementation of the Programme.

20. Japan had accepted the budget for 2014-2015, but it adhered to the principle that the withdrawal of any Member State should not be compensated for by increasing contributions from remaining Member States. The Director General should actively pursue additional efficiency gains and cost savings. He should also communicate with the International Civil Service Commission to take into consideration the financial situation of UNIDO and its Member States in the course of its comprehensive review, underlining the importance of the financial outcome of the review for UNIDO.

21. Although the collection rate of assessed contributions had reached 84.7 per cent as at the end of September 2013, that percentage remained below the figure achieved the previous year. In the interest of financial stability, Japan urged Member States to pay their allocated assessed contributions immediately and encouraged the Secretariat to increase the collection rate.

22. **Ms. Antillon Guerrero** (Costa Rica) said that, at the High-Level Conference of Middle-Income Countries, held in San José in June 2013 and attended by 84 delegations, it had been agreed that the middle-income countries should work together to follow up and establish best practices. Costa Rica itself had made good progress: it had invested 8 per cent of gross domestic product (GDP) in education, ensured that 48 per cent of its territory was environmentally protected and invested in health care. Moreover, its products were available on the international market, it had good levels of foreign direct investment and it respected workers' rights. It was committed to being a democracy that strove for development, and believed in economic inclusion, entrepreneurship and the development of talent and knowledge. The key to new industrial development, however, was innovation.

23. The San José Declaration should set out clear guidelines, so that middle-income countries could fulfil the Director General's appeal for inclusive and sustainable development. Such countries might need to find new ways forward for their development and strengthen the areas in which they had advantages. Public-private partnerships and interregional alliances could assist them in those efforts. Middle-income countries should show solidarity with each other, respecting the different levels of development achieved, and ensure that their young people had the opportunity to launch their own businesses or find decent jobs. There must be clearly defined goals, so that women could be economically independent and emerge from the subsistence levels in which many of them remained.

24. Since UNIDO was the best forum for middle-income countries, she hoped that delegations would support the San José Declaration. In the future, middle-income countries could build on their development, forming strong industries, with more beneficiaries. Within UNIDO they could contribute to the goal of poverty reduction.

25. **Mr. Cabactulan** (Philippines) expressed his delegation's gratitude for the international response, with both financial and logistical assistance, to the havoc caused by typhoon Yolanda, internationally known as Haiyan. With the support that had flowed in from the international community — Governments, the United Nations, international and non-governmental organizations and the private sector — the Philippines would overcome its latest national tragedy and move swiftly forward.

26. The performance of dynamic economies in different parts of the world was strong evidence of the importance of industrialization in driving economic expansion and the development process. His delegation therefore welcomed the adoption of the Lima Declaration, following its predecessor 38 years earlier, which had affirmed the role of industry as a crucial instrument of economic and social development.

27. Invited to participate in the consultative process of the post-2015 development agenda, the Philippines had identified five pillars in addressing its development challenges: poverty reduction and social inclusion; environmental sustainability, climate change and disaster risk management; accountable, responsive and participatory governance; a fair and stable order

based on the international rule of law; and peace and security.

28. The economy had experienced unprecedented growth of over 7 per cent in the last four quarters. The Philippines had also won three investment-grade ratings and was considered a growth engine in the region.

29. A significant aspect of the Philippines' cooperation with UNIDO related to the thematic priority of sustainable production and industrial resource efficiency. For example, UNIDO was a partner in the country's Industrial Energy Efficiency Programme, applying the International Organization for Standardization (ISO) 50001 energy management standard. The Philippines also continued to phase out hydrochlorofluorocarbons (HCFCs). In 2013, it had begun to implement a project to improve the health and environment of artisanal gold mining communities in the Philippines by reducing mercury with support from the Global Environment Facility and in partnership with a non-governmental organization, Ban Toxics! UNIDO had the expertise to help Member States to address the environmental hazards associated with industry and thus contribute to global efforts to tackle climate change.

30. The Philippines was proud to be one of the earliest supporters of the Green Industry Initiative and the Green Industry Platform, which helped global industry to improve its environmental performance.

31. **Ms. Cutie Cancino** (Cuba) said that industrial and technological development must be accompanied by appropriate action on the part of Governments to protect the environment, avoid growing pollution and achieve real and sustainable social benefits. The right to development was a human right. It was therefore important to increase international cooperation on the basis of multilateralism, impartiality and an unconditional approach. Cuba was convinced that the only way to achieve sustainable development in tune with nature would be through a substantial change in the patterns of production and consumption that were predominant in developed countries and were imposed on the rest of the world through the mistaken policy of globalization.

32. Although industry played a basic role in a country's development, any progress was inevitably predicated on the specific conditions in each country and its economic and social system. The process of acquiring industrial technology should take place in a systematic and effective manner, and viability assessments should especially address the crucial factors of industrial activity, such as energy, water and raw materials. In that connection, Cuba had recently, as part of the upgrading of its economic model, established the Mariel Special Development Zone, which continued to contribute to industrial development, generate exports and promote the import substitution process, further technology transfer, attract proper investment and promote environmental sustainability. It was a measure that enabled both national and foreign companies to be given special treatment, including tax and customs incentives. Priority was given to industrial, agricultural, metalwork and tourism projects, but also any kind of activity permitted under Cuban law that used clean technology and produced goods and services with added value based on knowledge and innovation. At the same time, bearing in mind the spirit of the Charter of the United Nations, the development agenda and a recent decision by the General Assembly, Cuba reiterated the need to lift immediately the economic, financial and trade blockade imposed by the Government of the United States of America, which had, for more than 50 years, been severely detrimental to the industrial, technological and social development of Cuba.

33. Regional integration played an important role in industrial development. Cuba welcomed initiatives within the Community of Latin American and Caribbean States (CELAC) to promote dialogue among ministers of industry and shape industrial policy at the regional level, in addition to new economic, financial and taxation measures to encourage industrial activity, innovation and technological development. In that connection, the Conference of Ministers of Industry of the region was useful in developing the post-2015 development agenda. The Conference should be tied in more closely with CELAC meetings in order to avoid duplicating activities or investment of financial resources. However, States could not on their own achieve industrial, economic or social development in tune with the environment. Extensive international cooperation was required, together with a renewed political commitment to the attainment of internationally agreed goals, especially with regard to official development assistance.

34. Innovative capacity and technological development in industry should be strengthened through the introduction of proper infrastructure and closer ties with universities and scientific bodies, which would lead to new and improved goods and services and more efficient and competitive procedures. UNIDO could make an important contribution by strengthening national capacities, especially in developing countries, to promote industrial activity and economic development, with the emphasis on technological innovation. It could also train staff and promote cooperation among Member States with a view to harmonizing industrial practices, protecting the environment and reducing poverty and inequality in all UNIDO programmes and activities.

35. The first international convention on Cuban industry, CUBAINDUSTRIA, would be held in Cuba from 23 to 27 June 2014 and she invited the delegations present to join in discussions on the current state of industry. Cuba would continue to work for a coherent industrial, environmental, social and economic policy that would fulfil the legitimate right to development. UNIDO could and must contribute to that endeavour.

Interregional debate 1: "Green industry and sustainable development"

36. An interactive discussion was held on green industry and sustainable development. The moderator, Mr. Paul Hohnen, founder of Sustainability Strategies, introduced the panellists: Ms. Chunhong Chen, Chairwoman and Chief Executive Officer, Yiyuan (Shanghai) Environmental Group Co., Ltd.; Mr. Hans-Peter Egler, Head of Trade Promotion, State Secretariat for Economic Affairs, Switzerland; Mr. Sergio Thiesen, Managing Director for Latin America, Braskem; and Mr. Le Hoai Trung, Permanent Representative of Viet Nam to the United Nations.

37. The moderator said that it was clear from the third Green Industry Conference held in Guangzhou, China, in November 2013, the High-Level Conference of Middle-Income Countries and other meetings relating to green industry and sustainable development that green industry would sooner or later come into its own; although countries might start in different places, they were all heading in the same direction. The timing was critical in view of the post-2015 agenda and the ending of the global recession. It was the ideal moment for Governments and companies to undertake the move to green industry. A flexible approach would be required: countries and companies should adopt the strategy best suited to them. Lastly, partnership was crucial: no one entity could act on its own. He noted, in that connection, that all the panellists were associated with the Green Industry Platform.

38. A video message recorded for the debate by Mr. Janez Potočnik, European Commissioner for the Environment, was screened. In the message, Mr. Potočnik stressed the importance of working with nature and expressed the hope that emerging economies would follow a sustainable path from the outset. The problem faced by industrialized economies was that they still revolved around processes introduced when natural resources had been abundant and cheap. With water and raw materials under increasing pressure, green economies could address the challenges facing them by encouraging restructuring, protecting the environment and improving social well-being. Industry would drive that process forward. Companies needed to change how they delivered and captured value by introducing more efficient production processes. Investment in innovation and technology was required and new partnerships should be formed across sectors and countries. Policymakers must help by providing direction, since market forces were excessively slow and adopted a short-term approach. The aim of the European Union was to build predictability, and the best way to do so was to create more partnerships for sustainable growth.

39. The moderator invited the panellists to describe the steps they had taken to create the enabling environment that was so critical to green industry.

40. Mr. Trung said that the Government of Viet Nam, having recognized that green and sustainable industry was essential in order to make the country more competitive, had adopted a number of laws and national strategies on energy, sustainable development and green growth, which it had implemented in partnership with UNIDO, the European Union, Japan, the Republic of Korea and others. A number of pilot projects had also been set up and had produced practical benefits.

41. Mr. Egler said that while Switzerland did not have an industrial policy, preferring to take a liberal approach, it had established a sustainability strategy in 1992 that was still in place. The country was resource-

limited and highly populated, so it faced a large number of environmental issues, especially with regard to water management and waste water treatment. Both industry and the population as a whole had had to learn new practices. That process was market-led and geared to a voluntary approach. Switzerland was seeking to reduce the ecological footprint of its imports and economic activities abroad by elaborating legislation to address ways in which companies could assess their value chains and act responsibly with regard to their imports.

42. The moderator asked Ms. Chen what the driver of green industry had been in her case. She responded that she had set up her company in an effort to address the wasting and pollution of water at a time of growing scarcity of water resources. The company's aim was to reduce the discharge of waste water through the use of water-saving lavatories. While some discharge was produced by the production of porcelain, the company was seeking better materials for use in the manufacture of lavatories, and was developing a new business model with a water conservation ratio of 90 per cent.

43. Asked whether she had been influenced by the regulatory environment to achieve Millennium Development Goals or other targets, she said that the Government of China had promulgated stricter laws and regulations on energy efficiency and had set aside funds to subsidize pollution control and work on the management and saving of water. Her company was therefore affected.

44. Mr. Thiesen said that Braskem, a Brazilian company and the largest producer of polymers in the Americas, was committed to the transformation and development of the chemical industry and intended to be the global leader in the manufacture of sustainable chemicals, and to contribute to the solution of social and environmental problems. At the company level, it tried to inspire its staff to come up with new ideas on the use of more sustainable resources, a more efficient use of resources and, more generally, a more sustainable use of plastics, involving reusing and recycling.

45. Braskem was the world leader in the production of biopolymers, thermoplastic resins made from renewable raw materials. It was also making green polyethylene from ethanol produced from sugar cane, which was a renewable resource. The product was making a global impact. Several companies already used green polymers to make consumer goods, but the production of green polyethylene actually removed carbon dioxide from the atmosphere.

46. Asked what policies would help the company, he said that in Brazil Braskem obtained ethanol at a low price. More Government help would, however, be useful.

47. The moderator said that the international community should decide on criteria for measuring progress, whether in relation to waste, emissions, efficiency or other standards. Mr. Egler said that a structure of that kind would be useful. Most importantly, there should be a system in place to report on progress made through the use of fewer resources or greater efficiency. Reporting systems were needed both at the national level, involving companies, non-governmental organizations and universities, and at the international level, so that countries could learn from one another.

48. Mr. Trung said that, under the pressure of competition, the emerging economies in South-East Asia were all moving towards sustainability. It was more efficient to use less energy. As for the question of reporting, the indicators of those using clean energies should be shared and the amount of investment as a proportion of GDP should be disclosed. That would reveal energy costs and, consequently, production costs. He was sure that green technology saved money.

49. Mr. Thiesen said that Braskem was very open about its activities. It had kept its data from the outset and so was able to state that, since 2002, it had reduced solid waste generation by 61 per cent, waste water generation by 39 per cent and energy consumption by 11 per cent.

50. Ms. Chen said that much of the research and development involved in her company related to the porcelain that was used. The company engaged in extensive cooperation with the relevant manufacturers, most of which were in China.

51. Mr. Trung added that more use should be made of both incentives and market mechanisms. Moreover, unless environmental regulations were in place, a country could find itself becoming a dumping ground. If Governments ensured that there were proper standards, there would be a higher level of production and technology.

52. The moderator said that leading companies understood that prices were rising and that efficiency was needed. They were also very conservative, however, and he wondered what frameworks were provided to bring them into the debate. Mr. Trung suggested a number of simple steps that could be taken: first, awareness of new technology should be promoted; secondly, companies should be shown that simple measures could help to save energy, which in turn made the industry concerned more competitive; and Governments could set up pilot schemes and share the resulting experiences.

53. Mr. Egler said that the platform for information and experience exchange was relatively effective in Switzerland. The most important issue was the supply chain as a whole. Switzerland had adopted the multi-stakeholder approach: all parties should come together to decide criteria on how to train farmers or producers, for example, so that they could comply with green requirements. Governments could be proactive, joining forces with companies and helping them to lower costs by using local service providers. Such measures would facilitate the sustainable growth of the global supply chain. There was still significant potential for the implementation of cleaner production, particularly in developing countries.

54. Asked how Switzerland was establishing voluntary standard-setting, he said that the country had started setting standards as long ago as 2000 to promote sustainable consumption and production. One motive was to give representatives of developing countries a voice, so that standards were in line with the specific conditions in those countries. Once a standard was set, a country could be helped to implement it. Impact assessment was also important, so Switzerland financed extensive impact studies on implementation. Standards were, after all, simply the means to achieve the goals of sustainability.

55. Mr. Thiesen said that no company could achieve sustainability on its own. It was important to find a way of sharing risk and consolidating sustainability through dialogue. Panel discussions of the kind they were currently conducting could be extremely useful. Meanwhile, every company could make its own contribution.

56. Mr. Egler said that it was crucial for all parties to work together. Green industry was the first step, but industries must team up in sectors and understand how the value chain really worked. Local companies should be incorporated in the value chain so that they could learn from larger, multinational companies.

57. Mr. Trung said that the Green Industry Platform should identify the difficulties facing developing countries and provide know-how with regard to regulations to overcome those difficulties. Relationships between greener production centres should be strengthened.

58. Ms. Chen said that greater use should be made of incentives and penalties. For example, preference in Government procurement could be given to companies that complied with green regulations.

59. The moderator said that he was struck that, in every country, the discussion of green issues originated with the business community rather than with Governments. Companies everywhere were embedding green industry into their plans.

Interregional debate 2: "Job strategies for inclusive and sustainable development"

60. An interactive discussion was held on job strategies for inclusive and sustainable development. The moderator was Mr. Todd Benjamin, former CNN anchor and correspondent, and the panellists were: Mr. Ayman Ismail Soliman, Chairman and Chief Executive Officer of DMG/Mountain View; Mr. Néstor Osorio Londoño, Permanent Representative of Colombia to the United Nations and President of the Economic and Social Council (ECOSOC); Mr. José Antonio Ocampo, Professor at the School of International and Public Affairs, Columbia University, and Chair of the Committee for Development Policy of ECOSOC; and Mr. Jan Wouters, Professor of International Law and International Organizations at the University of Leuven.

61. The moderator said that the discussion would be based on the *UNIDO Industrial Development Report 2013*, entitled "Sustaining employment growth: the role of manufacturing and structural change", which would shortly be officially released, and he invited Mr. Augusto Luis Alcorta, Director of the Development Policy, Statistics and Research Branch, to introduce the report.

62. Mr. Alcorta said that he and his fellow authors had decided two years previously that it was important for both developed and developing countries to

understand the role of industry in employment generation. The report examined global trends in changes to industrial structures and employment generation, what drove those changes, the policies that would help to enhance employment generation and the role of international organizations in helping to generate employment.

63. A number of findings had emerged. A comparison of tables showing the annual growth rate of GDP per capita and average growth in the share of manufacturing in terms of GDP showed a significant correlation between the two. Secondly, it was sometimes argued that employment was generated only by services rather than manufacturing, but, by 2009, 471 million jobs had been generated worldwide by manufacturing and its related services. Around 95 million jobs had been created in services related directly to manufacturing. Manufacturing had accounted for 16.3 per cent of global employment in 2009.

64. It was a common perception that jobs were moving away from the United States and other industrialized countries to China, Viet Nam, Cambodia or Mexico. That was true, up to a point, but not as much as had been expected. Moreover, the nature of employment in developed countries was changing. Some 20 million jobs had been lost since 1970 in the developed countries, but that applied mostly to countries of the former Soviet Union and Eastern Europe, while developing countries had gained 100 million jobs. He noted that, in 1995, manufacturing services had accounted for 24 per cent of jobs in developed countries (in such fields as research and development, marketing and logistics), that figure reaching 29 per cent by 2009. Thus, although the developed countries had lost productive jobs, they had gained employment requiring more skills and education. In the chemical industry, for example, nearly half of all jobs had been generated by manufacturing-related services by 2009.

65. For the least developed countries (LDCs), the food industry, agro-industry and the textiles and garments sector had immense potential, since they generated growth in output, employment and productivity. The challenge for middle-income countries was to shift industries away from textiles and garments and into basic metals or plastic, because such industries generated increased productivity and more resources for future investment. Developed countries, meanwhile, should move into chemicals, electronics, machinery and equipment; there was no future in textiles or clothes for such countries.

66. Industrial structural change and employment generation were driven not only by wages but also by technological innovation. However, the impact of such drivers was ambiguous, sometimes helping to generate employment and sometimes not, appearing to depend on the industrial policies adopted by the country concerned. The introduction of new machinery reduced employment whereas innovation generated it by producing new products and thus creating new industries. Governments should therefore promote investment in innovation. He also emphasized that government efforts should focus on industrial structural change: employment was generated more by working on the drivers than by acting directly on unemployment. Government should identify which drivers were applicable in their own countries and act on them. International cooperation also had a significant role to play in addressing those drivers.

67. The moderator invited the panellists to consider whether countries' success in industrialization depended on their industrialization policies.

68. Mr. Soliman said that manufacturing employment accounted for 16-18 per cent of jobs on average, but in some countries that figure was as high as 35 per cent. The way in which success was achieved varied. China, for example, had not moved into manufacturing fast but rather had approached it one step at a time. With the dawn of a new age, however, in which technology was taking over many jobs, it was a perfect time for the developing world to industrialize.

69. The more Governments exercised control and intervention, the less room there was for development. An environment for the creation of businesses — and thus employment — should be facilitated. A State governed by the rule of law was also essential.

70. Mr. Ocampo said that all countries should seek to upgrade their structures, regardless of their level of development. Middle-income countries needed to increase their activities involving technology and developed countries to increase their high-tech activities. The two relevant factors were education in science and technology. A framework for public-private cooperation was also required.

71. Mr. Wouters concurred. He had done much work with UNIDO on the Networks for Prosperity initiative, trying to map the connectedness of countries and assessing how much they participated in international treaties or organizations. There was a close correlation between a country's degree of connectedness and its economic development. A facilitating environment was important, but so was compatibility with the international regulatory framework and standards.

72. The moderator asked what kind of formulation and implementation processes needed to be in place in order to elaborate policies for structural change.

73. Mr. Soliman said that it was crucial that the role of business should change. Profits were rocketing in the developed world, but wages as a percentage of GDP were decreasing. Eventually, the market would start shrinking, because there were fewer buyers. The task for UNIDO and academia was how to encourage the business world to see itself differently. For example, Germany had pushed many businesses into the green economy by keeping taxes down and, as a result, technology had been boosted and businesses had made money. Paying employees more was one answer, but businesses could also address social needs. By providing computer training, for example, businesses could cultivate markets for their own benefit.

74. Mr. Ocampo said that, before formulating their policies, Governments must identify their country's needs and advantages. In addition, policymakers must understand how to use international instruments to shape national policy, and countries should engage in constant structural change through dialogue with the private sector. The best instruments for progress were not ministries, which were too political, but development banks, which could provide both finance and strategic thinking.

75. The moderator asked how the joint efforts of policymakers and the private sector could prepare for the skills development of the labour force and what incentives should be offered to the private sector.

76. Mr. Soliman said that the first requirement was vision. Only then should an incentive programme be introduced. Businesses sought stability. They should seek partnerships with civil society and guide Governments in facilitating business activities. Mr. Ocampo said that the State should take responsibility for the education system and the private sector for technical education; the private sector should also support universities. Mr. Wouters said that there was a need for consultative structures similar to those established in Europe at both the national and the regional level.

77. When asked to elaborate on the new role for the private sector, the panellists said that Governments should enlist the support of the private sector in such areas as green energy; the Government of India, for example, by encouraging the use of mobile phones in the fishing market, had eliminated waste and boosted profits. Businesses should fulfil their social responsibilities by engaging in activities that also benefited them; for example, the PepsiCo company, after successfully adapting one of its plants in India to use rainwater in the production of Pepsi, had been able to extend the process to other countries. Countries that produced commodities should always seek to add value. However, more action was required by developed countries to level the playing field.

78. The moderator asked how many members of the audience came from countries with abundant natural resources, how many countries were promoting industrialization and how many representatives felt that that process was a success. He noted that, although hands had been raised in response to the first two questions, no-one had claimed success.

79. Mr. Alcorta said that two fundamental difficulties had to be addressed. First, if a country's currency was overvalued, no industrialization policy could work. Secondly, countries should develop other skills that were complementary to the industrialization process. It was also essential that the price of raw materials produced locally should be the same domestically and internationally, so that there was an incentive to process them in the developing country itself. In many cases, multinational companies had to be encouraged by Governments to buy locally rather than internationally, because their instinct was to link up with their global networks.

80. Mr. Soliman concurred: multinationals did indeed leverage influence to buy commodities. Governments should thus provide incentives for adding value to raw materials. Multinational companies would react quickly and acquire local suppliers.

81. Mr. Wouters said that his research into the relationship between foreign direct investment, human

development and human rights showed that Governments must make agreements with international investors, ensuring that such agreements were sustainable in the public interest. Bilateral investment treaties with other countries could also be useful.

82. An audience member from Nicaragua asked how far States should provide incentives and at what point shared responsibility was achieved.

83. Mr. Soliman said that Governments should provide appropriate conditions rather than actual incentives, and then maintain such conditions. Merely giving incentives was an outdated approach. Instead, shared social and economic values should be created. The question was how the resources available to businesses could be used to create jobs and build markets. The consumption rate in the developing world was very low, so efforts should be made to build that market.

84. Mr. Wouters said that, in Europe, there was a growing realization that companies had to be given incentives to behave as good corporate citizens.

85. An audience member said that a balance must be struck between the need of businesses to make a profit and the need of employees to emerge from poverty. Jobs could not be generated in the same way as 40 years earlier. Businesses faced greater constraints, such as the requirement not to pollute. Increasingly, there was an emphasis on corporate social responsibility towards both employees and consumers. The challenge for businesses was how to motivate their staff, whether through wages or by making staff feel that they were in a genuine partnership.

86. Mr. Soliman concurred. The prime responsibility lay with the State, but private firms must internalize the principles set out by States. It was good that civil society was encouraging business to be socially and environmentally responsible.

87. The moderator said that it was in businesses' interests to pay staff higher wages, because the more money they had, the more they would buy. In that connection, he pointed out the power that the general public could wield as consumers. Consumers could boycott a firm if it was deemed to be acting unacceptably.

88. An audience member from Namibia asked whether there was any correlation between the conclusion of bilateral investment treaties and actual investments made. He saw no such correlation in his own country. Mr. Alcorta said that foreign direct investment did not, in itself, necessarily lead to growth, but it would if other important elements were included, for example if foreign investors were given incentives to buy locally.

89. An audience member from Burkina Faso commented that inclusive and sustainable development was not an easy proposition, because the various actors had conflicting positions. The State could play an important role in that regard. On the other hand, if there was overregulation, manufacturers might leave the country altogether. In response, Mr. Alcorta said that the State must establish regulatory systems, since international markets could react negatively if firms did not respect human rights or environmental regulations. Producers who did not abide by the rules could be sued if they failed to fulfil their promises.

90. Mr. Soliman said that GDP should not be the only measure of success; there should be other criteria. One such criterion was the gap between the rich and those on middle incomes, which could be corrected by legislation.

91. Asked how they saw the situation in 15 years' time, the panellists made the following predictions. Mr. Alcorta said that Africa and South America would be more industrialized, there would be a larger consumer market and the level of technology and services would be higher. Mr. Ocampo said that the greatest change would come in the environmental element of production. The biotechnology revolution would continue. He hoped that many LDCs would achieve industrialization. Mr. Wouters said that private companies would increasingly adopt public standards in order to obtain open access to other economies, which would monitor those companies' compliance. Mr. Soliman said that workforces would be smaller and more machines would be used. There would also be a growth in e-commerce.

The meeting rose at 7.10 p.m.